

(The document referred to,  
having been previously marked  
for identification as MMB  
Exhibit No. 116, was received  
into evidence.)

BY MR. SHOOK:

Q Mr. Watson, please turn to the exhibit we've been  
working on that we've been going back and forth with, 104,  
page 9.

In terms of the memo itself to Dave Hicks, that is  
from yourself?

A Yes.

But hang on just a second.

(Pause.)

THE WITNESS: Yes.

BY MR. SHOOK:

Q And you recognize the accompanying note?

A Yes, I do.

Q Let me make sure we're talking about the same  
thing. I probably was imprecise when I used the term  
"note."

The handwriting that appears also on page 9.

A Yes, that's --

Q That's what I was referring to.

A That's a handwritten memo to me from Dave Hicks.

1           Q     Now, there is a reference in your memo about  
2     recording the notes as long term.

3                     What is that all about?

4           A     Well, it's -- you know, since you're -- I mean,  
5     they could have been recorded on the balance sheet as either  
6     short-term notes or long-term notes, depending on when the  
7     due dates of the notes were. And since you don't know when  
8     they're going to be paid off, since you don't know, a  
9     suggestion was made to make them long term, why not record  
10    them long term. You know, it's his option. He can always  
11    pay them off early.

12          Q     Was it your office's suggestion that they be  
13    recorded initially as long term?

14          A     Yes, I believe I initially suggested that, and  
15    that would be normal, particularly unless you know exactly  
16    when they are going to be paid off you would always do that  
17    because it does make the balance sheet look a little --

18          Q     With all the banging --

19          A     Healthier from a financial -- from a financial  
20    standpoint, it does make the balance sheet look a little  
21    healthier if they are long term and not short term.

22          Q     Would I be correct that page 10 is the -- one of  
23    the three notes referenced in your memo that accompanied  
24    that memo?

25          A     Yes, I would say that -- I would say that that is

1 one of them, yes.

2 Q The handwriting that appears on the note is whose?

3 A We're looking at page 10; is that correct?

4 Q Yes, sir.

5 A The note on behalf of Hicks Broadcasting of  
6 Indiana LLC is signed by Dave Hicks. The other printing on  
7 it is mine, indicating that that particular note was  
8 canceled and renewed on 12-31-97.

9 Q If we go to page 16 of Exhibit 104, on page 10 it  
10 says "renewal." Page 16 is the new note?

11 A I believe it is.

12 Q And it would be your understanding that similar  
13 notes were prepared for Alec and Sarah?

14 A I'm sure they were.

15 Q Now, who made the decision to review the note?

16 A Well, Dave Hicks and I talked about it. I mean,  
17 we knew that they were -- the company was not in a position  
18 to repay them, and also at 12-31-97, if you recall, I think  
19 they were due -- and, again, a due date was put on there for  
20 not knowing when they would be able to be paid and kind of  
21 an arbitrary due date put on there, and I believe it's  
22 January 1, 1998.

23 Well, as of 12-31-1997, they would have had -- had  
24 the note not been renewed, they would have had to have been  
25 reclassified from a long-term payable to a short-term

1 payable. Again, since they didn't know when he was going to  
2 be able to repay those notes, they knew the note was signed  
3 in a longer -- if you'll notice, the year 2000 is put on  
4 there. Again, it's kind of an arbitrary date. But the  
5 point being is that it was longer than one here. Therefore,  
6 it could continue to be classed as a long term payable of  
7 the company, and Dave was aware of that.

8 Q And what is the particular significance in terms  
9 of classifying a note short term versus long term?

10 A Well, it's just that if you're looking at the  
11 balance sheet, and, in particular, if you're looking at  
12 current liabilities versus current assets, if there is a  
13 current note payable, then it goes into current liabilities.  
14 And it's called -- that's called your working capital.  
15 Current assets over current liabilities is your working  
16 capital, or another term would be your current ratio, it  
17 would be your current ratio.

18 In the event Hicks had gone to a bank, didn't know  
19 if they would but, I mean, anybody looking in -- you would  
20 always reclass those things to long term when you can  
21 because it does make the company look better when you're  
22 looking at your current assets over your current  
23 liabilities. You try and not classify, if possible. And we  
24 certainly had that capability by merely assigning it to the  
25 note.

1           Q     Now, with respect to the notes that I've seen this  
2     far, in particular, for the moment at least, focusing on  
3     page 8 and 16, the note reflects an interest rate, both  
4     notes reflect an interest rate of eight percent.

5                     Do you know how that percentage was arrived at?

6           A     I talked to Dave about that percentage, and, you  
7     know, I -- we could have charged a lower rate, but that  
8     seemed to be a reasonable market rate that would be charged.  
9     I mean, it was discussed between him and me.

10                    But what you can't go, there is a -- what's  
11     referred to as a federal rate that comes out every month,  
12     what you can't do is go lower than that, and I don't know  
13     what exactly that rate is now. It's around, I think five or  
14     six percent. But eight percent is a reasonable rate, not too  
15     high and not too low.

16           Q     Would you turn to page 11, please? Would you tell  
17     us how this note came to be prepared and what it represents?

18           A     Well, I'm not positive, but it -- apparently a  
19     note payable to Flint Dille had come -- okay, it had come  
20     due or was going to become due January 1st, and, again, as  
21     of 12-31-97, so that that note could be classified as long  
22     term, there was a new note issued, and it's probably in here  
23     somewhere.

24           Q     Referring to page 15?

25           A     That, I believe, is the renewal.

1           Q     Now, the different amounts would be due to what,  
2     accrual of interest?

3           A     Accrued interest was put into the note in this one  
4     on page 15.

5           Q     If you would, please turn to pages 12 and 13.

6           A     Okay.

7           Q     I take it the check is related to the note that  
8     appears on the next page, the check appearing on page 12,  
9     the note appearing on page 13.

10          A     It appears to be, yes.

11          Q     Even though the dollar amount is off by \$1.00.

12          A     Yes, it does appear to relate to each other.

13          Q     And do you have any recollection as to how it came  
14     about that the money was paid into Hicks?

15          A     I really don't recall this one.

16          Q     If we were to do the math, though, and come up  
17     with a relationship between this payment and the payment due  
18     to Booth, would that make sense to you?

19          A     Yes, it very well might. I mean, that might be --  
20     I don't remember right offhand. Obviously, I mean, I'm  
21     aware of it. I just -- it may have been some money -- Hicks  
22     Broadcasting may have had a payment due to Booth American,  
23     and therefore this shareholder loaned the company some money  
24     to help make that payment.

25                 JUDGE CHACHKIN: All the loans that the Dille

1 children provided were -- all the source was Mr. John Dille;  
2 is that correct?

3 THE WITNESS: The initial source was John Dille.  
4 As you recall, we -- Hicks Broadcasting paid some of that  
5 money back to them, and then they subsequently, again  
6 including this time, loaned some money back to the company.

7 JUDGE CHACHKIN: Used the same source of funds.

8 THE WITNESS: They used the same -- I'm sure they  
9 used the same source of funds.

10 BY MR. SHOOK:

11 Q Finally, Mr. Watson, could you turn to page 14 of  
12 Exhibit 104?

13 A Okay.

14 Q And could you tell us what this document  
15 represents?

16 A This appears to be a check requested dated April  
17 30, '97, whereby Flint Dille was paid back his loan, I'm  
18 guess, and we've seen that loan somewhere before, I'm sure  
19 we have, and he was paid back on April 30, 1997.

20 Q Now, is there any particular reason why this  
21 document does not appear to have anything in writing on it  
22 from Mr. Hicks?

23 A Well, no. In fact, this -- I mean, as far as the  
24 repayment, no. But as far as the repayment of loans, I can  
25 tell you for sure that I talked to Dave Hicks about it. It

1 wouldn't have been repaid without talking to Dave.

2 And, in fact, this isn't even my writing. It is  
3 my signature, but it's not my print. More than likely -- I  
4 mean, I know whose this is. It happens to be an  
5 accountant's there in our office. After talking to Dave, I  
6 told Dallas Johnston to make up a check request to pay back  
7 a particular loan, and that's what he did. And I -- and  
8 then I approved it on behalf of Dave. That's requested by  
9 me, but it would have -- I mean, Dave wasn't here to put his  
10 initial on it, but it would have been definite from the  
11 conversation I had with him. I did not make any loan  
12 payments, repayments, without him knowing it.

13 MR. SHOOK: Your Honor, the Bureau offers Exhibit  
14 104.

15 JUDGE CHACHKIN: Number what?

16 MR. SHOOK: 104.

17 JUDGE CHACHKIN: Any objection.

18 MR. JOHNSON: No, Your Honor.

19 MR. WERNER: No, Your Honor.

20 JUDGE CHACHKIN: Exhibit 104 is received.

21 (The document referred to,  
22 having been previously marked  
23 for identification as MMB  
24 Exhibit No. 104, was received  
25 into evidence.)

1 BY MR. SHOOK:

2 Q Mr. Watson, could you please turn to Exhibit 106?

3 First of all, are the signatures on the check

4 yours and Mr. Johnston's?

5 A Yes, they are.

6 Q Now, could you tell us what this represents?

7 A This is a copy of a check that was -- that made  
8 one of the payments to Booth American. As I indicated  
9 before, all these payments were made on Pathfinder's checks,  
10 but at the very moment this was paid, this \$10.00,000 was  
11 paid, it became a receivable from Hicks. Hicks owed  
12 Pathfinder for making this payment at that very moment it  
13 was written.

14 And I also believe that Hicks' shareholders loaned  
15 money in to cover this at that same time. So, again, that  
16 \$10.00,000 was loaned in by the shareholders, Pathfinder  
17 paid it on behalf of Hicks, and that's what it is.

18 And it certainly was -- I mean, I know this was --  
19 it was a Hicks' payment, and accordingly, charged.

20 Q Is there any particular reason why the check does  
21 not have that stamp that appears on some of the other ones  
22 that says "Doing business as Hicks Broadcasting of Indiana  
23 LLC"?

24 A The only thing I can say is that the accounts  
25 payable clerk missed putting it on there. It should have

1 had. Most -- whenever a payment strictly related to Booth,  
2 excuse me, strictly related to Hicks, particularly -- it  
3 didn't have anything to do with Pathfinder, it should have  
4 had that stamp so that the recipient of the check can tell  
5 exactly who it's from.

6 Now, by this time, believe me, Booth American  
7 knew, I mean, knew these checks were for payment of their  
8 note. So there was no harm done, but it should have had it  
9 on there. The accounts payable clerk just failed to put it  
10 on there, and I'm sure that occasionally she may have done  
11 that.

12 Subsequent to this time, I might mention that  
13 actually on the check itself is now printed the name Hicks  
14 Broadcasting of Indiana LLC, so that the omission of that  
15 stamp could not take place.

16 Q And that's because there is now a separate account  
17 for Hicks, correct?

18 A No. No.

19 Q No?

20 A We have a separate account. Yes, there is a  
21 separate account for Hicks now, but very few checks are  
22 written on that. Most of the payable checks, the normal  
23 expenses are still paid on the Pathfinder's account because  
24 it was absolute easiest way to do the accounting. We don't  
25 have to write two payable runs. You can only do one.

1           And, again, so that has continued because we've  
2       never really -- no one has really said we couldn't -- I  
3       mean, it wasn't the thing to do.

4           Now, we're talking about it here, I understand,  
5       and, you know, maybe something will come out of it that has  
6       to be changed, but there is absolutely no improprieties. I  
7       mean, as soon as their check is written, it is -- on a  
8       Pathfinder account, it becomes a receivable from Hicks. And  
9       now Hicks is using -- is using that bank account of their  
10      own to receive funds from Pathfinder, or, if necessary, to  
11      pay Pathfinder any payable.

12          Q     Is that the only purpose for which that account is  
13      used?

14          A     No, we have used it for a few other expenses such  
15      as they've -- Hicks Broadcasting got a bank loan, and any  
16      money that repays that back loan comes out of that account.  
17      I believe that in recent months Dave Hicks' attorneys have  
18      been paid out of that account. it's occasionally been used.  
19      On occasion Dave Hicks has had -- sine the last year, Dave  
20      Hicks has had to loan the company some money, and that has  
21      gone into that account.

22                But then most of the time it's received either to  
23      receive money from Pathfinder for the amount that Pathfinder  
24      owes it, or it's used to pay Pathfinder in the event -- in  
25      those few times since April of '96, since -- that Hicks owed

1 Pathfinder. And actually, they then paid Pathfinder if they  
2 owed them any money within 30 days.

3 Q Now, there's a handwritten word that appears on  
4 the document. If you could tell me what that is and what  
5 that means.

6 A Well, I can tell you what it is. It says "pro  
7 rate," and it's my writing, but I don't know what it means.  
8 I really don't know what it means. It makes no sense to me  
9 and I don't think it has any significance. I don't know.  
10 It might mean, it might mean that the pro rata  
11 share of the members did loan money into Hicks Broadcasting  
12 to cover this. That might be what it is, but I'm just  
13 guessing, okay?

14 MR. SHOOK: The Bureau offers Exhibit 106.

15 JUDGE CHACHKIN: Any objection?

16 MR. WERNER: No, Your Honor.

17 MR. JOHNSON: None, Your Honor.

18 JUDGE CHACHKIN: Exhibit 106 is received.

19 (The document referred to,  
20 having been previously marked  
21 for identification as MMB  
22 Exhibit No. 106, was received  
23 into evidence.)

24 BY MR. SHOOK:

25 Q Mr. Watson, could you please turn to 117?

1 A Okay.

2 Q First of all, with respect to the -- there is some  
3 handwriting that appears on the document. If you could  
4 identify what that handwriting is.

5 A Okay. The amount to be paid is circled. You're  
6 talking about the \$1,015, correct?

7 Q Yes, sir.

8 A CS is the accounts payable clerk's initials. The  
9 "okay" and scribble is mine. There is a check number 35678  
10 written on there. This invoice was paid on May 17, 1995.  
11 The 354.95 is a WRBR account, meaning that it was charged to  
12 WRBR. And over to the left is -- this is a March expense,  
13 meaning it was recorded in March, paid it May 17, 1995.

14 Q And who is McGladrey and Pullen?

15 A McGladrey and Pullen is the firm that does Hicks  
16 Broadcasting's tax return, helps them with their taxes and  
17 tax distributions, if necessary.

18 Q And could you tell us how it came to be that Hicks  
19 engaged McGladrey and Pullen?

20 A Yeah. I mean, obviously, the entity had to have  
21 some taxes due. I mean, they had to have a tax return  
22 prepared, excuse me, for 1994, the first year of operation.  
23 And in talking to Dave some time, it wasn't a single  
24 conversation on it, I mean, it was in with other thing  
25 discussed with him, I would have discussed who he wanted to

1 prepare his tax return.

2 I do know that he had -- he has his own tax  
3 accountant, and maybe he wanted them, and he asked who does  
4 Pathfinder's, and I told him, and it's McGladrey and Pullen,  
5 and who does -- you know, who does the work for us, or  
6 taxes. And he said, well, go ahead and have them do it. I  
7 mean, they are doing all the tax returns for us. And if  
8 they had any questions, they would be asking the people  
9 doing their accounting anyway, and therefore he asked me to  
10 get it down.

11 And the reason his initials aren't on here is he  
12 knew -- this was a normal bill. He knew that he was going  
13 to get charged for McGladrey doing the tax returns, and so,  
14 you know, I wouldn't necessarily have gotten his approval on  
15 this. It's just a normal expense that he would have -- he  
16 would have seen it. At a minimum, he would have seen this  
17 when it came through on his general ledger activity at the  
18 end of March 1995.

19 Q Now, by saying "see it," he would have seen the  
20 dollar figure that would have --

21 A He would have seen the expense charged to him,  
22 yes, because every month, if you recall, since April 1994,  
23 he has gotten a general ledger activity that shows him the  
24 complete detail of his expenses every month. And so he  
25 would have seen that then.

1           And, again, it was a normal charge for doing taxes  
2   and it was not abnormal, so I don't know that I would have  
3   gotten him to initial it. I know I didn't get him to  
4   initial it. Now, whether I even talked to him about it, I  
5   don't know.

6           Q    Now, in terms of the address where the bill is  
7   directed to, that post office box, who set that up?

8           A    I don't know. Hicks -- excuse me. McGladrey and  
9   Pullen would have set that up.

10          Q    What I mean is it's addressed to Hicks  
11   Broadcasting of Indiana LLC, and then you see that there is  
12   a post office box --

13          A    Well, yeah, and I --

14          Q    -- in Elkhart.

15          A    Right, and the P.O. box is Pathfinder's P.O. box.  
16   I mean, they sent it -- they obviously sent the bill to me.  
17   They didn't even ask me this, I mean. They just -- I mean,  
18   they knew that --

19          Q    If they wanted to --

20          Q    They knew where to send the bill.

21          A    That's right.

22          Q    All right. Now, on the bill itself where it says,  
23   about, oh, three-quarters of the way down, "Meet with Bob  
24   and Mary."

25               Is the Bob you?

1 A Yes, it is.

2 Q And who is the Mary?

3 A Mary Fara, at that time, who is the corporate  
4 accountant.

5 Q And then the last entry there where it says,  
6 "Review and discuss loan agreement with Bob," that's you?

7 A Yes, I'm sure that's -- again, any questions  
8 regarding the accounting and taxes would have come to us.  
9 That's one reason that it made sense for McGladrey to do the  
10 tax return.

11 Q Because Pathfinder was providing the accounting  
12 service?

13 A The accounting, that's right.

14 Q Do you know what loan agreement is being referred  
15 here, or referenced, rather?

16 A Well, the only loan agreement at that time that I  
17 know of was the loan agreement with Booth American. Well,  
18 other than -- there was loan documents, or the notes that  
19 were prepared to the shareholders, but, you know, she says  
20 loan agreement. I've got think that it's the Booth loan  
21 agreement.

22 Q Could you please turn to page 2?

23 A Okay.

24 Q This appears to be a bill for the preparation of  
25 tax returns.

1 A It's --

2 Q Is that what it is?

3 A -- basically the same as the prior on only  
4 subsequent year.

5 Q Now, there is a circled amount and then it looks  
6 like, is that JH? I'm just trying to make out the initials  
7 that are there.

8 A Yeah, I believe that -- I'm not positive, but I  
9 believe that is -- yes, I believe that's the accounts  
10 payable clerk at that time. I think they changed positions.  
11 That's the new accounts payable clerk.

12 Q But where it says "okay," and then the squiggle  
13 underneath, that's you?

14 A Yes. Again, that's a normal business expense that  
15 Dave certainly would have been aware of that was coming. He  
16 knew the tax return had to be prepared.

17 Q And would your testimony be essentially the same  
18 with respect to page 3?

19 A No, it would be slightly different, I think.

20 In looking at the date here, I don't know what  
21 this was. I don't recall what this was. It is a charge for  
22 something that had to be discussed with the tax accountant  
23 regarding LLC, and I -- I'm sorry, I don't recall what it  
24 is.

25 Q With respect to the circled amount, there are --

1 it looks like some different initials there.

2 A Yeah. Again, whoever circles that, it is the  
3 accounts payable clerk who is doing it at that time. You  
4 know, we've had some changes in that position, and I don't  
5 know whose it is. I really don't. But it is the accounts  
6 payable clerk. That's her initials that she's circled it  
7 and that's -- she's, in other words, reviewed it to make  
8 sure that there is approval on it, and do the pay date on it  
9 and that kind of thing.

10 Q Turning to page 4.

11 A This would have --

12 Q Another bill for tax assistance?

13 A -- another bill for taxes, and -- excuse me.

14 No, this is -- this is something different, and  
15 Dave was very much aware of this. In the -- you know,  
16 Hicks' number came up for internal audit. I mean, just a  
17 routine audit from the Internal Revenue Service, and this  
18 bill was for their -- his tax accountant's assistance in  
19 this audit. So that's a little different from the tax  
20 return.

21 Q The circled amount and the initials there, MF, is  
22 that supposed to be Mary Fara?

23 A It doesn't make -- yes, it may have been at that  
24 time. She may have been filling in that day for somebody  
25 that was gone. It very well could have been her.

1           Q     Turning to page 5, is this a second bill for  
2     essentially the same service or the same type of service,  
3     rather?

4           A     Same type of service. Again, assistance had to be  
5     provided to help with the audit.

6           JUDGE CHACHKIN: What was your involvement in the  
7     audit?

8           THE WITNESS: Whenever there -- I mean, I was  
9     involved in the audit from the standpoint of answering any  
10    questions that the auditor had, and the controller who works  
11    for me. If the auditor wanted to see certain bills or see  
12    some invoices, we would pull them because the bills were in  
13    our office, and we had to respond to the Internal Revenue  
14    Service's requests, whatever that might be. And all the  
15    books and records are there, and we responded to them.

16          JUDGE CHACHKIN: What was Mr. Hicks' role in the  
17    audit? What did he do about the audit? Anything?

18          THE WITNESS: Well, he was -- no, he was kept up  
19    to date as to what was going on with the audit, and also the  
20    results of the audit he was definitely -- and he also had to  
21    sign -- he had to sign an affidavit allowing our tax  
22    accountant to, or his tax accountant to talk to the IRS. He  
23    had to sign something, and Dave provided that approval.

24          JUDGE CHACHKIN: He didn't personally appear  
25    before the audit?

1 THE WITNESS: I'm not -- no, but he wasn't  
2 required to either. I mean, in fact, I had very little  
3 involvement. From the standpoint of responding the Internal  
4 Revenue Service request, it's more pulling things, and  
5 really the tax accountant on behalf of Dave Hicks did most  
6 of the actual communicating on the results of the audit.

7 For example, I know they wanted to reclass some  
8 thing that had been expensed. Some attorney bills that had  
9 been expensed, they wanted to reclass them and write them  
10 off over a period of time. I mean, it was very minor  
11 adjustments that they made. And our tax -- his tax  
12 accountant would have talked to him on that.

13 JUDGE CHACHKIN: You mean McGladrey and Pullen?

14 THE WITNESS: Yes, Your Honor.

15 JUDGE CHACHKIN: Okay, you weren't referring to  
16 somebody else then, were you?

17 THE WITNESS: I'm sorry?

18 JUDGE CHACHKIN: You said it was McGladrey and  
19 Pullen?

20 THE WITNESS: When I said "tax accountant," no,  
21 the tax accountant was from McGladrey that was talking to  
22 them on Dave's behalf, and he had to sign some affidavit  
23 giving him permission to do that.

24 BY MR. SHOOK:

25 Q Turn, please, to page 6.

1           A     Okay.

2           Q     Now, after the "okay," what is written?

3           A     It says, "Okay, per Dave Hicks."

4           Q     Now, is there any particular reason why this  
5 document reflects such an okay, whereas the others we've  
6 seen had not?

7           A     Only what I can think is that this would -- this  
8 may not have been an ordinary expense. There was some  
9 reason, there was some reason that McGladrey performed this  
10 service for Hicks Broadcasting, and I obviously made a  
11 specific point about Dave on this one, and I so notice it.  
12 I mean, it wasn't the preparation of a tax return. I'm not  
13 positive of what it was. It may have still been a  
14 continuing service provided by the audit.

15          Q     Did the filing of the informal objection have  
16 anything to do with your obtaining and noting Mr. Hicks'  
17 approval?

18          A     The informal objection?

19          Q     By Niles.

20          A     No, that wouldn't have anything to do with it.  
21 No, not at all.

22          Q     Would you turn, please, to page 7?

23                   The "okay" is yours?

24          A     Yes. This is for -- again, this related to the  
25 audit of Hicks Broadcasting. I mean, as you can see from

1 all of these bills, that, you know, McGladrey was really  
2 involved in the representation of Hicks here a lot.

3 Q Page 8?

4 A This is the bill for the preparation of the tax  
5 return for 1996.

6 Q And that's separate from what -- that's separate  
7 from the audit, right?

8 A Yeah, they always bill you separate for the tax  
9 return work, and that's very similar to the year before, if  
10 I recall.

11 Q Would you turn to page 9?

12 A Yes.

13 Q Now, what is written underneath the "okay"? I  
14 take it that squiggly, that mark is yours again?

15 A The squiggle is mine.

16 Q And what does it say underneath it?

17 A It says, "Okay," No, it says, "Okay," my  
18 squiggle, "Copy to Dave Hicks please." And with that on  
19 there, the accounts payable clerk would know to send a copy  
20 of this to Dave. And, again, the reason I would have sent  
21 this to him because this one was out of the ordinary. It  
22 was not the normal tax return preparation that he would have  
23 known was coming.

24 But certainly, I mean, he knew this had to be  
25 done, but it was out of the ordinary bill, so that's why I

1 copied Dave on that one.

2 Q Please turn to page 10.

3 A This is another bill for service similar to the  
4 one on page 9.

5 JUDGE CHACHKIN: What was the distribution they're  
6 talking about?

7 THE WITNESS: Each quarter, based upon the  
8 profitability of the entity, one has to look at how that  
9 affects the numbers, tax, personal taxes, because Dave's  
10 shares in the income of the company. And if there is income  
11 sharing, they share in it. And if that affects their  
12 personal tax returns, you have to determine, okay, the  
13 entity has earned so much money. The individuals are going  
14 to owe quarterly taxes for their tax estimates, and  
15 therefore a determination has to be made if a quarterly  
16 distribution is necessary to be made to the shareholders so  
17 that they can make their respective taxes, because there's  
18 going to be -- that tax -- they're going to be taxed on  
19 their share of the income, and therefore they're going to be  
20 taxed on it and they have to pay quarterly taxes. The  
21 company makes a distribution to them to make that payment.  
22 That's very, very common. I mean, it's done all the time  
23 for all companies where the tax flows through the  
24 individuals of the company, the company makes a distribution  
25 to them to help pay the taxes.

1 BY MR. SHOOK:

2 Q Now, in addition to what the Judge asked you, when  
3 you look at page 10, there appears to be some additional  
4 handwriting on this page that isn't reflected on the others.

5 A Yeah, this one says, "Approved for payment, Dave  
6 Hicks."

7 Q Now, the others -- the others didn't have that.  
8 What is the reason why this one does and the others did not?

9 A Well, again, this is for -- this is for assistance  
10 with the quarterly distribution, which is the first quarter  
11 distribution, and I merely wanted him to see what he was  
12 having to pay for that service.

13 Again, it wasn't the normal tax return  
14 preparation, and what I don't know -- I assume this is the  
15 original. Often what I'd do is sometimes make him a copy  
16 like I did that other one as opposed to sending him the  
17 original for approval. So I'm a little -- but I assume this  
18 is an original. It must have been sent to him for approval  
19 before it was paid this time. I don't know why.

20 Q In other words, the timing of the -- it's hard for  
21 me to make out. Is the date -- it says, "Approved for  
22 payment." Can you make out what date that's supposed to be?

23 A Yeah. Yeah. Well, it appears to be May 5th or  
24 May 2nd, one or the other, 1998, which is his approval date,  
25 and it was actually paid on May 13th.

1           Q     All right. Well, given that the bill is dated May  
2     4, well, I suppose we'll eventually have to ask Mr. Hicks  
3     what he --

4           A     No. You know what may have happened too, I mean,  
5     I doubt if I sent this to him. It may very well be that he  
6     came by my office that day. I had it there ready for him to  
7     approve. I mean, he was there -- if he's there in the  
8     office, I might as well get his initials on it rather than  
9     send it to him. That's very well may -- probably what  
10    happened.

11               MR. SHOOK: Your Honor, the Bureau offers 117.

12               JUDGE CHACHKIN: Any objections?

13               MR. JOHNSON: No, Your Honor.

14               MR. WERNER: No, Your Honor.

15               JUDGE CHACHKIN: Exhibit 117 is received.

16                               (The document referred to,  
17                               having been previously marked  
18                               for identification as MMB  
19                               Exhibit No. 117, was received  
20                               into evidence.)

21               MR. SHOOK: Your Honor, a moment, please?

22               (Pause.)

23               BY MR. SHOOK:

24               Q     Mr. Watson, could you turn to Exhibit 118, page 3?

25               A     Okay.

1 Q Now, I don't see your particular squiggle here  
2 anywhere, but there also appear to be a number of matters  
3 initialed which I believe you're capable of identifying.

4 First is the circled amount 1012.00, and then the  
5 initials, it looks like MF appears after that.

6 A Yes.

7 Q And that would be?

8 A MF, that's probably Mary Fara, I guess.

9 Q And then the --

10 A It's the accounts payable clerk.

11 Q And then there is a number 641.45, and then there  
12 is some initials underneath that.

13 Do you know whose initials they are?

14 A I'm not positive, but I think this might have been  
15 Vicky's up in Grand Rapids.

16 Q Now, what relationship does Pathfinder have with  
17 the Audience Development Group?

18 A Well, this is -- this is a station up in Grand  
19 Rapids at that time?

20 Q Right.

21 A And they apparently -- someone else could better  
22 answer this, but they -- from the payment of this bill and  
23 the charging it to 641.45, which was WAKX in Grand Rapids,  
24 that -- they appear to have the Audience Development Group  
25 as their programming consultant. I'm sure that's what it